

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION

UNITED STATES OF AMERICA

VS.

SHERRY L. GIBSON

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No. _____

STATEMENT OF FACTS

The United States of America and SHERRY L. GIBSON, the defendant, agree that the following statement provides a factual basis for her plea of guilty in this case, pursuant to Fed.R.Crim.P. 11(b)(3):

National Century Financial Enterprises, Inc., or NCFE, was an Ohio corporation, headquartered in Dublin, Ohio, that operated as a financial service holding company, which, through its subsidiary corporations, purchased accounts receivable from hospitals, nursing homes and other medical providers and concerns. NCFE advertised that its principal business was financing health care providers through the purchase of their accounts receivable payable by private insurers and public health care programs such as Medicare and Medicaid, and described itself in promotional statements as the leading supplier of working capital to the medical industry in the United States.

NPF VI, Inc., or NPF VI, was an Ohio corporation and a wholly-owned subsidiary of NCFE. NPF VI was formed for the stated purpose of purchasing health care receivables and funding such purchases with the proceeds from the offer and sale of securities, known as health care receivables securitization program notes, to investors. As of June 30, 2002, NCFE claimed the net value of all

purchased receivables for NPF VI was \$908,980,775.

NPF XII, Inc., or NPF XII, also was an Ohio corporation and a wholly-owned subsidiary of NCFE. Like NPF VI, NPF XII was formed for the stated purpose of purchasing health care receivables and funding such purchases with the proceeds from the offer and sale of health care receivables securitization program notes to investors. As of July 1, 2002, NCFE claimed the net value of all purchased receivables for NPF XII was \$2,149,488,559.

The Chase Manhattan Bank acted as a trustee for investors holding health care receivable securitization notes issued by NPF VI. Bank One acted as the trustee for NPF XII investors.

National Premier Financial Services, Inc. was another subsidiary of NCFE that purportedly provided administrative services for health care receivables purchases by NPF VI and NPF XII.

Several accounting firms, including PricewaterhouseCoopers and Deloitte & Touche, among others, were retained by NCFE to perform audits or other accounting procedures for the company and its subsidiaries.

Defendant SHERRY L. GIBSON was employed by NCFE in several management and executive-level positions. Most recently, she worked as the Executive Vice-President of NCFE's Compliance Department. Beginning in 1992, SHERRY L. GIBSON was responsible for the issuance of monthly investor reports to the NPF VI and NPF XII trustees and to investment rating companies such as Fitch IBCA, Inc. and Duff & Phelps Credit Rating Co.

Beginning before May 17, 1995, SHERRY L. GIBSON conspired with at least seven executives and owners of NCFE and others to defraud investors in health care receivable securitization notes issued by NPF VI and NPF XII. The conspirators furthered the ends of the conspiracy to defraud investors through several means, including falsification of information in

reports, creation of fraudulent documents to mislead auditors and investors, transfer on a monthly basis of hundreds of millions of dollars between and among bank accounts of NPF VI and NPF XII to deceive trustees and investors about balances in those accounts, and execution of a Ponzi scheme to divert proceeds from the offer and sale of NPF VI and NPF XII notes.

NPF VI started operations on May 17, 1995. The very first investor report for NPF VI was issued on June 21, 1995, and contained false financial information. In the months and years following, SHERRY L. GIBSON, with guidance from several of her co-conspirators, caused multiple investor reports for both NPF VI and NPF XII to be prepared and sent to trustees and investment rating companies, knowing that these investor reports contained false financial information. Many of these fraudulent investor reports were transmitted to recipients by interstate facsimile communication from Dublin, Ohio.

From at least the beginning of 1999, SHERRY L. GIBSON and her co-conspirators exchanged memoranda and electronic messages, recording their plans for creating false records and furthering their efforts to deceive auditors, rating companies and investors. Some of the memoranda described a scheme in which new investor money would be used to cover millions of dollars in existing shortages in reserve and equity accounts, rather than to purchase assets as represented to the new investors. Other memoranda described how multimillion dollar, critically timed wire transfers created the illusion that required funds were held in various NPF VI and NPF XII bank accounts.

The Information filed in this case details ninety-three (93) overt acts, among others, committed by the conspirators in furtherance of the conspiracy. SHERRY L. GIBSON reviewed the government's evidence pertaining to these overt acts and confirmed that each one occurred. One

specific overt act occurred on or about August 29, 2001, when SHERRY L. GIBSON sent a confidential memorandum to an individual identified in the Information as Conspirator A regarding NPF XII Series 2001-3 notes, in which SHERRY L. GIBSON advised Conspirator A, in pertinent part:

As you may expect, we are having problems generating the pool statistics for the new series in NPF XII. Here's the problem:

1. To pass the collateral coverage test in NPF XII, we have been adding receivables to the calculation in the investor report. The dollar amounts in the reserve accounts are fixed, so without cash, the only other way to pass the test is additional receivables.
2. Due to the continual shortage of cash in the reserves, the investor reports, therefore, have OVERSTATED the receivables compared to the actual balances in the AS400 and/or funding systems.
3. The static pool information roughly matches the investor report data for the last eighteen (18) month period. We attempt to have the static pool data reflect each monthly receivables balance in the investor report.

OK, so now we have a reported receivables balance we have to match in the static pool data. While the actual balances in NPF XII are closer to \$1.489 billion, the receivables balance in the current investor report for NPF XII is \$2,000,382,873. This means we have to add receivables on a Seller-by Seller basis in the static pool in order to match the current investor report for NPF XII.

APPROVED:

SHERRY L. GIBSON
Defendant

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